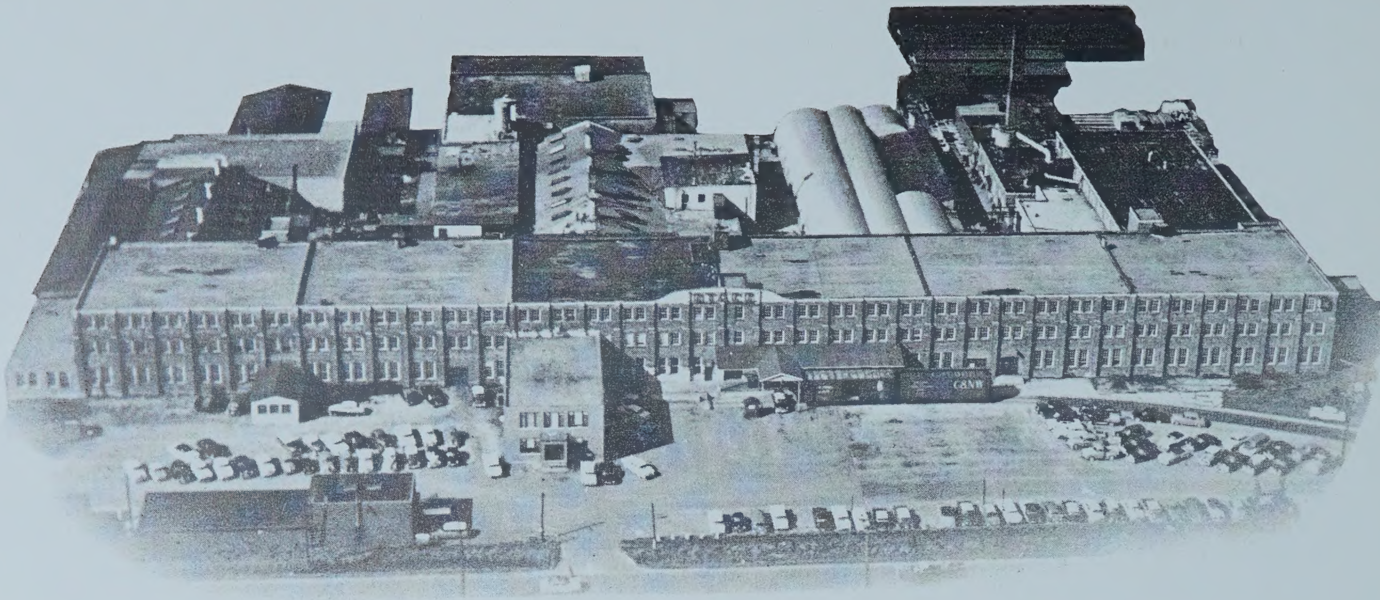
BIL

Bartaco Industries Limited

Annual Report 1968



OTACO LIMITED

Otaco Limited is the largest of the Bartaco Group of Companies which occupies approximately 400,000 square feet and employs 450 people in Orillia, Ontario.

Otaco produces a line of small agriculture implements and also wheels, hubs, and axles for the trailed vehicle market. It has one of the larger ductile iron jobbing foundries in Canada, and at the present time is in the process of expanding its foundry operation with the addition of a 55,000 foot extension on its present foundry facilities.

The new foundry expansion will enable Otaco to vastly increase its production facilities as it is not only adding to its building's dimensions but it is also installing many pieces of highly mechanized modern foundry equipment; such as, two eight and one half ton electric melting induction furnaces, two automatic moulding machines along with several pieces of equipment which will contribute to making the Otaco foundry one of the most modern ductile and grey iron units of its type in North America.

These new facilities will also allow your Company to produce a variety of iron castings that it is not presently in the position to supply.

The new addition will also allow Otaco to give consideration to the possibility of moving its subsidiary, C. S. Castings Limited, into the present Otaco facilities as C. S. Castings's location is proving to be very inadequate to supply steel castings to its ever increasing number of customers.

Otaco is also looking forward to the possibility of increasing its machine shop facility in order that it can be in a better position to supply its many iron and steel customers with a finished machined casting.

The Company has been proceeding with development work on several new products which should be in production during 1969.

MURRAY ANDERSON LIMITED

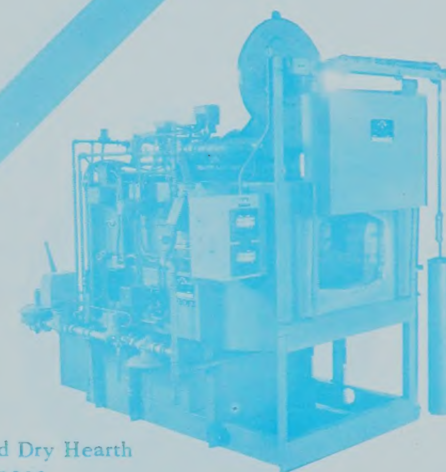
Murray Anderson Limited was originated in 1961 to distribute gymnasium equipment to the various School Boards across Canada.

The Anderson company purchased all the outstanding shares of Gross Athletic Equipment Limited in 1966, as this company manufactured the gymnastic equipment which was distributed by the Anderson group and now Gross Athletic Equipment Limited operates as a wholly owned subsidiary of the Murray Anderson Limited.

The Anderson athletic and gymnastic equipment is known throughout Canada and is recognized as the foremost Canadian manufacturer in its field.

We are very proud that the Anderson product is fully approved and accepted by the Canadian Amateur Athletic Association and was recently featured as the principal equipment of its type to be used at the Pan American Games held in Winnipeg in 1967.

Uneven Parallel Bars



Model 12890 Gas Fired Dry Hearth Aluminum Melting Furnace

THE GAS MACHINERY COMPANY (CANADA) LIMITED

The Gas Machinery Company (Canada) Limited was acquired by your Company in July of 1968 and is an old established Canadian operation dating back to 1920.

The Gas Machinery Company produces products which are used in heavy industry and by the Gas Utility Companies, and includes a long list of technically engineered items, such as, high-pressure mixing stations, special type atmosphere generators, and the engineering of older type gas lines to accept the new inflow of natural gas. The Company also produces special types of heat treating equipment and heat treating control panels which are used to mix hydrogen, nitrogen and argon for special heat treating applications.

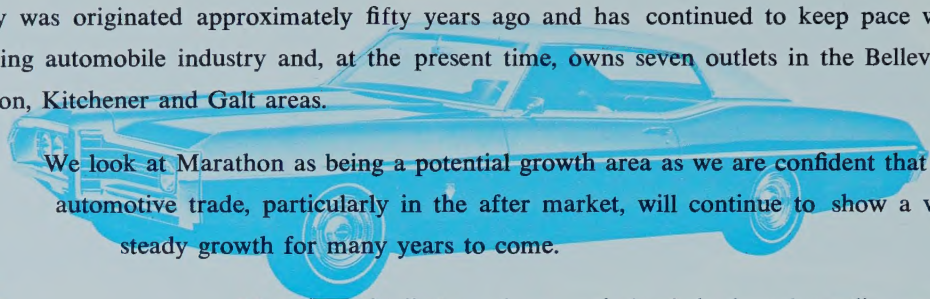
Gas Machinery supplies many other special services and surveys for the gas industry some of which are technical and feasibility studies for towns, cities and industries for the distribution of gases.

We know that the services rendered by The Gas Machinery Company (Canada) Limited will greatly compliment other divisions of your Company, therefore, we look forward to the future of Gas Machinery with anticipation.

MARATHON MOTOR SUPPLIES LIMITED

Marathon Motor Supplies Limited represents the automotive distribution division of Bartaco Industries Limited, and Marathon has shown very satisfactory progress over the past several years.

The Company was originated approximately fifty years ago and has continued to keep pace with the fast moving automobile industry and, at the present time, owns seven outlets in the Belleville, Hamilton, Kitchener and Galt areas.



We look at Marathon as being a potential growth area as we are confident that the automotive trade, particularly in the after market, will continue to show a very steady growth for many years to come.

Marathon distributes only on a wholesale basis and supplies service stations, fleet owners and industry with a large number of the top line quality products and lubricants used in the automotive service and repair business.

Front Frame J85 Engine
for General Electric

RENFREW AIRCRAFT & ENGINEERING COMPANY LIMITED

As previously reported your Company owned 50% of Renfrew Aircraft & Engineering Company Limited, and during the year of 1968 we arranged for the purchase of the balance of the outstanding shares of Renfrew making it another wholly owned subsidiary.

Renfrew is one of Canada's largest, privately owned, precision machine shops for the production of aircraft engine parts and, at the present time, occupies approximately 107,000 square feet of floor space and employs 250 people, who are skilled and semi-skilled in the production of aircraft engine components.

Renfrew's entire output is taken by United Aircraft of Canada Limited, with whom we have a manufacturing agreement, whereby, United will take all the production of the Renfrew facilities for the next five years with an option to continue their arrangement for an additional three years.

We are very satisfied with our Renfrew holding and we are confident that they will contribute substantially to Bartaco's earnings for several years to come.

Bartaco Industries Limited

DIRECTORS and OFFICERS

DIRECTORS

ROBERT M. BARR	Orillia, Ontario
BRIAN W. BARR	Orillia, Ontario
TINKHAM VEALE II	Gates Mills, Ohio
GEORGE W. VEALE	Cleveland, Ohio
JOHN T. VAUGHAN	Tampa, Florida
MYRON S. GELBACH	Philadelphia, Penn.

OFFICERS

ROBERT M. BARR	President
BRIAN W. BARR	Vice-President
MYRON S. GELBACH	Secretary
R. HOWARD MCRAE	Treasurer
RICHARD C. MEECH	Assistant Secretary

OPERATING COMPANIES

Barlin-Scott Manufacturing Company Limited
C. S. Castings Limited
*Don Barnes Ltd.
Gas Machinery Company (Canada) Limited
Haley Industries Limited
*Leeds Richardson Co. Ltd.
Marathon Motor Supplies Limited
Murray Anderson Limited
Noel Electronics Limited
Otaco Limited
Renfrew Aircraft & Engineering Co. Limited
Wayne Forge Limited

**Companies acquired since September 30th, 1968*

TRANSFER AGENT AND REGISTRAR

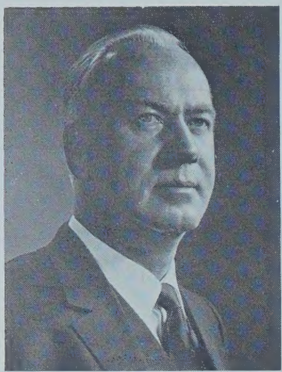
Shares: National Trust Company, Limited
Montreal, Toronto, Winnipeg and Vancouver

TRUSTEE

Debentures: Montreal Trust Company

PRESIDENT'S REPORT TO THE SHAREHOLDERS

FOR THE NINE MONTH PERIOD JANUARY 1, 1968, TO SEPTEMBER 30, 1968



It is with pleasure that I submit to you our Annual Report for the nine month period from January 1, 1968 to September 30th, 1968. This report is based on a nine month period only, due to the change in our year end from December 31st, as previously reported, to September 30th, as this date coincides with that of our parent company Alco Standard Corporation of Valley Forge, Penn.

Your Company has completed what I consider to be a very favourable year both in its own internal operations and also through the several acquisitions of other companies which have taken place during the nine month period represented by this report. I am pleased to say that we have been successful in producing a net profit after applicable taxes of $679,123.00 for the nine month period which compares with a profit of $345,850.00 for the previous twelve month period of 1967. This represents a profit increase of approximately 96% of earned income and when applied to an earnings per share basis it represents .96¢ earnings per share for the nine month period as compared to .85¢ per share for the previous twelve month period recorded.

You will note on the balance sheet this year that we have three columns of figures for comparative reasons. The first column represents the audit figures at September 30th, 1968, the centre column represents the re-stated company figures as of December 31, 1967. It was necessary to produce this column in order to show the position as of December 31, 1967 so that all the companies involved could arrive at a starting point in order to have a full nine month period. During the year our acquisitions have been acquired on a pooling-of-interest basis and, therefore, it was necessary to re-state the position that would have applied if the newly acquired group had been a part of our operation as of January 1, 1968.

The third column is the 1967 reported figures as of our last annual report.

It is also gratifying to note that during the nine month period our working capital increased by approximately $1,000,000 over that reported in our 1967 Annual Report.

During the nine month period there was a total of five new businesses acquired for the Bartaco Group. The purchase of these new businesses necessitated the issuing of 306,000 common shares to bring our total issue of common shares up to the present amount of 711,000 shares which compares with 405,000 on our last report.

YOUR COMPANY

Bartaco Industries Limited is the holding company with twelve fully owned actively operating subsidiaries with a wide list of products ranging from precision aircraft parts and precision aircraft castings to civil engineering, industrial engineering, heat treating equipment, gas generating equipment, gymnasium and athletic equipment, electronic scoreboards, playground equipment and a large variety of nodular iron and steel castings for the mining industry, agriculture industry and heavy steel fabricators.

Rather than attempt to outline the operations of each Company we have arranged this report so that you will find explanations of what the individual companies are, their products and interests on some of the following pages.

OUTLOOK

As outlined in my previous report, I feel the future of your company can only be phrased as exciting.

Since the date of September 30th, we have completed two new acquisitions which do not reflect in the balance sheet of this report. The first one being the Leeds Richardson Company Limited of Toronto, Ontario, which has a wholly owned subsidiary known as Shore Pile Services Limited also of Toronto, Ontario, and these companies are very actively involved in the engineering and construction industry. The

Leeds Richardson Company is one of the better known operations in the pile driving business and has been engaged in several of the country's major construction projects. These two companies are referred to in Note 1 of the Auditors' Report.

Also since the date of September 30th, your Company has agreed to purchase all the outstanding shares of Don Barnes Limited of Hamilton, Ontario. This acquisition we feel will make a very strong contribution to the overall Bartaco organization. Don Barnes is primarily involved in the foundry engineering business and we know that his knowledge in the industry will be a sound asset to your Company.

As of this date of writing all Divisions of your Company have completed a satisfactory first quarter and we go into 1969 with an overall record backlog of orders. Our new Foundry expansion in Orillia is scheduled for operation in the early part of June, 1969, and although we are certain that there will be many normal start up problems we look forward to the foundry expansion with anticipation because the continual growing demand for quality iron castings still exists. At the present time we are not able to take advantage of all of the opportunities that present themselves in this field due to our production capacity being limited and, of course, our existing customers must be serviced before any new orders can be considered.

We are also extending our Foundry at Haley Industries Limited in Haley, Ontario. This expansion includes many pieces of highly technical equipment which will enhance Haley's ability to continue to be a leader in the precision aircraft casting business.

Again, I say that I am pleased with our results in 1968 and can assure you that your Company will continue along the path of internal expansion and will be looking, at all times, for any acquisition that can prove to be beneficial to our Bartaco Group. Based on comparing a nine month operation with the twelve months previously reported we have been successful in producing a 50% increase in our earnings per share during 1968. I can assure you that our objective will be to work toward another substantial gain for the twelve months reported at September 1969.

I wish to take this opportunity to extend my sincere thanks to our entire staff for their cooperation during -the past year and we look forward to the future with anticipation that our results for the year 1969 will continue to grow both in our own company and that of our associates.

January 15th, 1969.

R. M. Barr,
President.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Bartaco Industries Limited and its subsidiaries as at September 30, 1968 and the consolidated statements of earnings, retained earnings and source and use of funds for the nine months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies as at September 30, 1968 and the results of their operations and the source and use of their funds for the nine months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in the basis of charging depreciation as set out in Note 5 with which we concur.

McDONALD, CURRIE & CO.,
Chartered Accountants.

November 27, 1968.

Assets

	SEPT. 30 1968	DEC. 31 1967 Restated (Note 2)	DEC. 31 1967 From the Annual Report (Note 2)
	$	$	$
CURRENT ASSETS			
Cash	399,038	701,045	54,148
Accounts receivable (Note 7)	2,418,458	1,970,279	828,574
Accounts receivable — Government of Canada	—	303,374	305,077
Advances on equipment purchases recoverable (Note 3)	70,052	—	—
Inventory — at the lower of cost or net realizable value (Note 4)	1,654,362	1,093,343	804,701
Prepaid expenses	66,905	39,345	17,475
Total current assets	4,608,815	4,107,386	2,009,975
SPECIAL REFUNDABLE TAX	26,743	20,607	17,904
INVESTMENT IN ASSOCIATED COMPANY	—	—	367,749
FIXED ASSETS (Note 5)			
Land	241,981	29,501	9,001
Buildings	972,014	740,696	678,484
Machinery and equipment	940,925	742,748	495,274
	2,154,920	1,512,945	1,182,759
OTHER ASSETS (Note 6)	428,086	418,782	162,174
	7,218,564	6,059,720	3,740,561

SIGNED ON BEHALF OF THE BOARD

Robert M. Barr
Director

Myron S. Gelbach
Director

Liabilities

	SEPT. 30 1968	DEC. 31 1967 Restated (Note 2)	DEC. 31 1967 From the Annual Report (Note 2)
	$	$	$
CURRENT LIABILITIES			
Bank advances (secured) (Note 7)	569,883	463,480	371,588
Accounts payable and accrued liabilities	1,692,371	1,182,980	748,841
Other taxes payable	125,804	124,489	62,808
Advances on contracts	117,305	339,579	—
Accounts payable — Parent and Associated Companies	204,519	—	—
Income taxes payable	26,610	—	—
Current portion of long-term debt	137,958	522,106	55,106
Total current liabilities	2,874,450	2,632,634	1,238,343
LONG TERM DEBT (Note 8)	1,112,300	866,447	566,283
DEFERRED CREDITS			
Deferred income taxes	22,597	—	—
Provision for contract completions (Note 9)	225,000	477,770	470,314
Excess of equity in consolidated companies over cost	139,820	106,466	128,346
	387,417	584,236	598,660
MINORITY INTERESTS	168,000	—	—

Shareholders' Equity

	SEPT. 30 1968	DEC. 31 1967 Restated (Note 2)	DEC. 31 1967 From the Annual Report (Note 2)
CAPITAL STOCK			
Authorized			
98,575 Preference shares with a par value of $20 each issuable in series			
1,000,000 Common shares of no par value			
Issued and fully paid			
7,075 6½ % cumulative preference shares Series A, redeemable at par (Note 10)	141,500	141,500	141,500
711,000 common shares (Note 1) (1967 — 405,000)	825,543	825,543	407,350
	967,043	967,043	548,850
RETAINED EARNINGS	1,660,332	955,084	428,425
GENERAL RESERVE	49,022	54,276	—
EXCESS OF APPRAISAL VALUE OF FIXED ASSETS	—	—	360,000
	1,709,354	1,009,360	—
	2,676,397	1,976,403	1,337,275
	7,218,564	6,059,720	3,740,561

BARTACO INDUSTRIES LIMITED

and its subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1968

	$	$
SALES		9,581,029
COST OF SALES		6,993,212
GROSS PROFIT		2,587,817
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		1,762,730
		825,087
OTHER EXPENSES		
Interest on long-term debt		62,844
Amortization of debenture discount and expense		6,228
		69,072
OPERATING PROFIT FOR THE PERIOD BEFORE INCOME TAXES		756,015
PROVISION FOR TAXES ON INCOME	243,935	—
INCOME TAX SAVINGS DUE TO LOSSES CARRIED FORWARD	175,898	68,037
NET EARNINGS FOR THE PERIOD BEFORE DEDUCTING MINORITY INTEREST		687,978
MINORITY INTEREST		8,855
NET EARNINGS FOR THE PERIOD		679,123
The following expenses are included in the foregoing:		
Depreciation charges		173,252
Direct remuneration to directors and officers as defined in The Ontario Corporations Act		113,400

BARTACO INDUSTRIES LIMITED

and its subsidiaries

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1968

	$
RETAINED EARNINGS — BEGINNING OF PERIOD	428,425
RETAINED EARNINGS, BEGINNING OF PERIOD, OF POOLED COMPANIES	526,659
BALANCE, BEGINNING OF PERIOD, RESTATED	955,084
NET EARNINGS FOR THE PERIOD	679,123
EXCESS DEPRECIATION CHARGES OF PRIOR YEARS	43,031
	1,677,238
LEGAL FEES ON ACQUISITIONS OF POOLED COMPANIES	16,906
RETAINED EARNINGS — END OF PERIOD	1,660,332

BARTACO INDUSTRIES LIMITED

and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1968

1. PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the company and its subsidiaries. All intercompany accounts and transactions have been eliminated.

During the nine months ended September 30, 1968, five businesses were acquired; and the remaining shares of a company associated in 1967, were also acquired. All the acquisitions were accounted for as poolings of interest. The company issued 306,000 common shares, paid $25,788 and has given stock options on 5,000 common shares in consideration for shares of subsidiaries having a net asset value of $1,378,000. Shares under the stock option agreement may be purchased at $10 per share for a period of five years.

Subsequent to the year end the company has entered into agreements to acquire two companies by the issuance of 30,000 common shares and payment of $250,000. These acquisitions have not been reflected in these statements.

2. COMPARATIVE FIGURES

The comparative figures on the balance sheet under the heading "December 31, 1967, (Restated)", represent the December 31, 1967 consolidated statement of the company restated to give effect to the acquisitions made during the nine months ended September 30, 1968 which were accounted for as poolings.

The column headed "December 31, 1967, (from the annual report)", shows the position of the company and its subsidiaries as at that date, before giving effect to subsequent acquisitions.

The company and its subsidiaries have changed their fiscal year ends to September 30. As a result, it was not considered practicable to include comparative figures for the statements of pooled earnings and retained earnings.

3. ADVANCES ON EQUIPMENT PURCHASES, RECOVERABLE

This amount represents payments on equipment being purchased by subsidiaries acting as agents for the Government of Canada. Under the terms of the agreement, the subsidiaries will be required to purchase this equipment from the Crown by instalments beginning in April, 1970. Title to the equipment remains with the Crown until the purchase is completed in 1974.

4. INVENTORIES

Inventories are valued at the lower of cost or net realizable value and are classified as follows:

Raw material	$ 378,520
Work in process	532,385
Finished goods	743,457
	1,654,362

5. FIXED ASSETS

Land, buildings, machinery and equipment and related accumulated depreciation are classified as follows:

	Cost $	Accumulated Depreciation $	Net $
Land	241,981	—	241,981
Buildings	1,781,481	809,467	972,014
Machinery and equipment	2,760,124	1,819,199	940,925
	4,783,586	2,628,666	2,154,920

During the year the company reversed the appraisal increase of $360,000 formerly applied to buildings, with the result that all fixed assets are stated at cost.

The basis of accounting for depreciation on new additions has been changed from the diminishing balance method to the straight line method. Had the former method been used for the current period, depreciation charges would have been $20,000 greater and the profit before taxes $20,000 less than reported.

6. OTHER ASSETS

This amount includes the following items

Incorporation expense — at cost	$105,913
Debenture discount and expenses — at cost less amortization	57,300
Patents and rights — at cost less amortization	8,923
Goodwill — at cost	255,950
	428,086

7. SECURITY FOR BANK ADVANCES

The bank advances are secured by a general assignment of book debts, assignment of shares in subsidiaries and assignment of fire insurance.

8. LONG TERM DEBT

Long term debt outstanding at September 30, 1968 consists of the following:

	Total $	Current Portion $	Long-term $
6½% Sinking fund debenture, Series A, due November 1, 1981 Authorized — $850,000 Issued and outstanding	595,000	42,500	552,500
6½% Sinking fund debenture, Series A, maturing December 1, 1978	297,000	12,500	284,500
6% Mortgage payable, maturing September 25, 1977	288,100	57,620	230,480
Sundry notes and mortgages payable at an average rate of 7%, maturing principally in 1973	70,158	25,338	44,820
	1,250,258	137,958	1,112,300

9. PROVISION FOR CONTRACT COMPLETIONS

At September 30, 1968 the provision for contract completions was reduced to $225,000 being the estimated amount required to provide for extra costs on contracts entered into by a subsidiary before it was acquired (December 31, 1967), and which are not yet completed.

10. CUMULATIVE DIVIDENDS

Dividends on preference shares are in arrears at September 30, 1968 in the amount of $25,293. The trust indenture under which 6½% sinking fund debenture Series A, due November 1, 1981 were issued contains certain restrictions on the payment of dividends. At present, these restrictions prevent the payment of the cumulative preference dividend.

BARTACO INDUSTRIES LIMITED

and its subsidiaries

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1968

	$	$
SOURCE OF FUNDS		
Net earnings for the period		679,123
Transfer from provision for contract completions		252,770
		426,353
Charges not requiring outlay of funds		
Depreciation		173,252
Deferred income taxes		22,597
Amortization of debenture discount and expense		6,228
		628,430
Working capital of subsidiary purchased	508,603	—
Cost of acquisition	448,349	—
Net working capital acquired		60,254
		688,684
USE OF FUNDS		
Fixed assets (net)		247,559
Legal fees on acquisition of pooled companies		16,906
Increase in special refundable tax		6,136
Repayment of long-term debt		153,636
Other		4,834
		429,071
INCREASE IN WORKING CAPITAL		259,613
WORKING CAPITAL — Beginning of period as restated		1,474,752
WORKING CAPITAL — End of period		1,734,365

LEEDS RICHARDSON COMPANY LIMITED

Leeds Richardson Company Limited is also one of Bartaco's later acquisitions and is not included in our Balance Sheet or Profit and Loss Statement in this report.

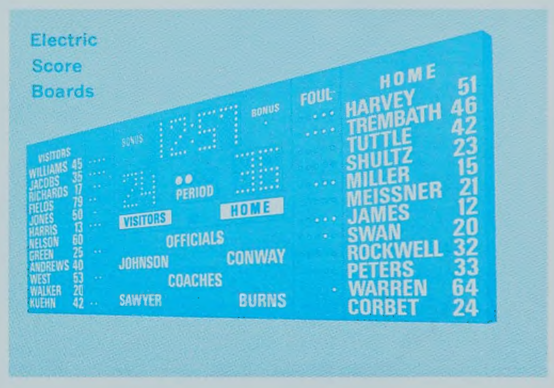
Leeds Richardson Company is one of Canada's oldest names in the engineering, construction and foundation business, specializing in pile driving and shore piling.

The Richardson company has worked on several of Ontario's larger construction jobs and has more recently been involved in such projects as the Gardner Expressway, Don Valley Parkway, Sutton Place Hotel and several jobs for the Department of Public Works including many harbour contracts.

By having the Richardson company join our Bartaco group we feel that this will greatly enhance the ability of several of our other companies to quote and compete on the installation of heavy equipment where foundation engineering is required.

We are confident that the Richardson organization will substantially contribute to the Bartaco group and its future plans for growth and earnings.

Don Valley Parkway
Sheet Pile Wall 1 mile long
164000 s.f.



Electric Score Boards

NOEL ELECTRONICS LIMITED

Noel Electronics Limited was acquired during the early part of 1968 along with Murray Anderson Limited.

This Company pioneered the development of Electronic Scoreboards in Canada, which are used extensively for Hockey, Basketball, and Football in the Canadian athletic and education systems.

By moving into the Otaco plant, Noel acquired additional floor space and enhanced their production capacity by having complete access to Otaco's modern machine and press shop facilities.

We know this will allow Noel Electronics Limited to maintain their high standard of quality at the lowest possible production cost.

BARLIN-SCOTT MANUFACTURING COMPANY LIMITED

Barlin-Scott Manufacturing Company Limited was the original company of the present Bartaco organization and is primarily involved in the domestic and commercial heating and air conditioning industry in the Hamilton and district area.

The Company occupies approximately 12,000 square feet of floor space and employs thirty-five people.

Barlin-Scott's back log of orders going into 1969 should assure the Company of a very satisfactory operating profit in the coming twelve months.

Barlin-Scott is highly recognised in its field as a supplier of quality products and excellent workmanship.

DON BARNES LTD.

Don Barnes Ltd. is your Company's latest acquisition and was founded by Donald Barnes Sr. and this was a carry on from the original family business which started in the foundry supply market as early as 1870.

The Don Barnes Limited has designed what is known as a new cupola emission control system, (a photograph is shown above), and this new air purification unit, which is designed primarily for foundry cupolas, is one of the few dry types available and has received the approval of the Ontario Department of Labour.

The first installation of the new system will be erected this year, at Oakville, Ontario, and we feel that as this is a dry system requiring no water or liquid whatever, that this unit will prove to be very competitive in today's market for air pollution equipment.

We are proud of our latest acquisition and are confident that the Barnes company will contribute to your company's profits for several years to come.

HALEY INDUSTRIES LIMITED

Haley Industries Limited is considered to be one of North America's foremost aircraft casting facilities in the magnesium and aluminium business.

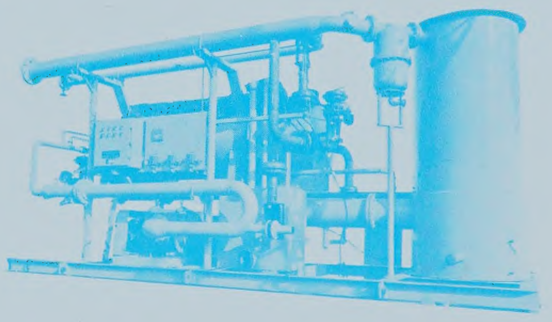
Haley is a wholly owned subsidiary of your Company and is looked upon as being one of our most promising profit centers in the future.

Haley deals with nearly every producer in the aircraft industry in North America and is presently involved in several major programs which include development work on many of the new aircraft engines which are presently being designed for the ever changing aircraft industry.

During the past year we have installed in Haley several pieces of highly technical equipment in the moulding lines, in the heat treating department and in the inspection department. We feel confident that with these additions to the facilities it will enhance Haley's ability to be efficient and competitive in their major field of endeavour.

This Generator was built for electric reduction

PT6 Turbine Engine for United Aircraft



WAYNE FORGE LIMITED

Wayne Forge Limited was established in Toronto in 1915 to build gas fired forges and many other products which relate to the heat treating and processing of metals for a wide range of industrial applications.

Wayne Forge Limited engineers, designs and manufactures oil and electrical heated furnaces in standard sizes and custom design for all types of metallurgical heat treatments; non ferrous metal melting and forging; batch and conveyor ovens for baking, curing, drying, aging and low temperature processing; heated tanks, pots and custom designed equipment for special heat treating applications.

Several of the above mentioned products are shipped throughout the world to such countries as, Thailand, Guiana, and a substantial portion to export business in the United States.

BIL